

**CalPERS Response to GASB 43 and 45  
Pre-funding Retiree Health Employer Survey  
Results from Online Survey of PEMCHA Employers  
Dated September 2005**

CalPERS GASB 45 Employer Survey

Introduction

CalPERS is currently considering whether and how to assist employers participating in the PEMHCA Program to comply with GASB 45. Your responses to the following survey will assist us in this regard. Individual responses will not be analyzed. Only collective feedback is desired.

You should be aware that CalPERS will not and can not use pension funds to initiate a health care program. Therefore, if CalPERS does initiate a program to assist employers, that program must be financially self-sufficient. Survey questions about the size of assets that would be deposited in a CalPERS health plan trust are included so the administrative viability of such a program can be judged.

It should be noted that there is another accounting statement, GASB 43, which applies directly to CalPERS. Under GASB 43, if CalPERS does not hold assets to pre-fund other post-employment benefits, then the accounting requirements for CalPERS are insignificant. Therefore, there is a substantial disincentive for any CalPERS involvement.

However, CalPERS will certainly consider its role in assisting employers and fostering the benefit security of future retirees.

CalPERS is considering three possible service models with different levels of involvement:

1. Data Only Model

Under this level of involvement, CalPERS would only assist in providing member data to agencies that hire an outside actuary to do the necessary calculations and/or use an outside trust fund to pre-fund other post-retirement benefits.

2. Actuarial Services Only Model

Under this approach, CalPERS would set up a database to house plan provisions and member data for all employers that choose to participate in this new program. CalPERS actuaries would perform actuarial valuations and provide employers with GASB 45 compliant accrual and disclosure information.

3. Full Service Model

This approach would encompass the 2nd alternative above (actuarial services) plus include the establishment of a trust fund to invest and individually account for the assets that accumulate as employers begin to pre-fund their other post-employment benefits.

## Summary of Responses

Overall, there were 166 responses to our survey request. They were broken out in the following ways:

50 City Respondents	30%
12 County Respondents	7%
94 Other Public Agency Respondents	57%
9 School Respondents	5%
1 Non Identified Respondents	1%

The respondents can be identified as “Large” or “Small” with the breakpoint being 100 employees, with less than 100 employees being defined as “Small”

5 Non Identified Respondents	3%
94 “Small” Respondents	57%
67 “Large” Respondents	40%

Further breakdowns show:

<b>City Respondents</b>	<b>% of Total</b>	<b>% of City</b>
2 No Response	1%	4%
16 “Small”	10%	32%
32 “Large”	19%	64%
<b>County Respondents</b>	<b>% of Total</b>	<b>% of County</b>
1 “Small”	1%	8%
11 “Large”	7%	92%
<b>Other Public Agency</b>	<b>% of Total</b>	<b>% of Others</b>
2 No Response	1%	2%
75 “Small”	45%	80%
17 “Large”	10%	18%
<b>School</b>	<b>% of Total</b>	<b>% of Schools</b>
1 No Response	1%	11%
1 “Small”	1%	11%
7 “Large”	4%	78%
<b>Non Identified</b>	<b>% of Total</b>	<b>% of Non Identified</b>
1 “Small”	1%	100%

**Question 1.** Should CalPERS offer actuarial services to PEMCHA employers for other post-employment benefits? (Yes or No)

Overall	Results
2 No Response	1%
7 Responded “No”	4%
157 Responded “Yes”	95%

Focusing on the “No” Respondents	Results
2 Cities with 1 “Large” and 1 “Small”	1%
4 Other Public Agencies with 1 “Large” and 3 “Small”	2%
1 “Large” Schools	1%

**Question 2.** Should CalPERS offer and manage a trust fund to invest and individually account for an employer’s accumulated assets set aside to offset GASB 45 liabilities? (Yes or No)

Overall	Results
4 No Response	2%
43 Responded “No”	26%
119 Responded “Yes”	72%

Focusing on the “No” Respondents	% of Type	% of No
17 Cities with 6 “Small” and 11 “Large”	34%	40%
3 “Large” Counties	25%	7%
19 Other Public Agencies with 16 “Small” and 3 “Large”	20%	44%
4 “Large” Schools	44%	9%

**Question 3.** Please use the service model definitions previously defined in this document to answer this question. Please rank from 1 to 3 (1 being the most important and 3 the least important) the level of involvement CalPERS should consider in assisting employers with GASB 45 where:

**Data Only Model** – Under this level of involvement, CalPERS would only assist in providing member data to agencies that hire an outside actuary to do the necessary calculations and/or use an outside trust fund to pre-fund other post retirement benefits.

**Actuarial Services Only Model** – Under this approach, CalPERS would set up a database housing plan provisions and member data for all employers that choose to participate in this new program. CalPERS actuaries would perform actuarial valuations and provide employers with GASB 45 compliant accrual and disclosure information.

**Full Service Model**– This approach would encompass the 2<sup>nd</sup> alternative above (actuarial services) plus include the establishment of a trust fund to invest and individually account for the assets that accumulate as employers begin to pre-fund their other post-employment benefits.

	Most Important	Next Important	Least Important	No Opinion
Data Only Model	23%	24%	49%	4%
Actuarial Services Only Model	41%	46%	9%	4%
Full Service Model	42%	23%	34%	1%

**Question 4.** Does your agency intend to comply with GASB 45? (Yes or No)

Overall	% of Total	
2 No Response	1%	
7 Responded No	4%	
157 Responded Yes	95%	
Focusing on the “No” Respondents	% of Type	% of No
3 Cities with 2 “Small” and 1 “Large”	6%	43%
4 Other Public Agencies with all 4 “Small”	4%	57%

**Question 5.** If you intend to comply with GASB 45, would your organization use CalPERS’ actuarial services to prepare the necessary accounting expense and disclosures if CalPERS charged an administrative fee at a level competitive with outside consulting actuaries to provide these services? (Yes or No)

Overall	% of Total	
5 No Response	3%	
15 Responded No	9%	
146 Responded Yes	88%	
Focusing on the “No” Respondents	% of Type	% of No
2 Cities with 1 “Small” and 1 “Large”	4%	13%
11 Other Public Agencies (9 “Small” and 2 “Large”)	12%	74%
2 Schools with 1 “Small” and 1 “Large”	22%	13%

**Question 6.** If CalPERS offered a trust fund for the collective investing of funds for pre-funding other post-employment benefits, is your organization likely to send assets to that trust fund? (Yes or No or Undecided)

Overall	% of Total	
1 No Response	1%	
22 Responded No	13%	
36 Responded Yes	22%	
107 Undecided	64%	

  

Focusing on the Respondents with an Opinion	% of Type	% of Response
<u>The No Respondents</u>		
7 Cities (1 "Small" and 6 "Large")	14%	32%
11 Other Public Agencies (9 "Small", 2 "Large")	12%	50%
4 Schools (1 "Small", 3 "Large")	44%	18%
<u>The Yes Respondents</u>		
14 Cities (4 "Small", 10 "Large")	28%	39%
2 "Large" Counties	17%	5%
20 Other Public Agencies (15 "Small", 5 "Large")	21%	56%

**Question 7.** If your answer to #6 is yes, what is the approximate current market value of assets that your organization would likely send to the CalPERS trust fund at the commencement of such a CalPERS program?

Only 31 Respondents provided an answer to this question. Of these, 5 answered zero. The remaining responses varied from just below \$45 thousand to almost \$100 million.

10 Cities with (1 "Small", "Large") responded with values ranging from \$43,632 to \$8,000,000.

1 "Large" County responded with a value of \$10,000,000.

15 Other Public Agencies (9 "Small", 6 "Large") responded with values ranging from \$72,000 to \$98,000,000.

**Question 8.** If your answer to #6 is yes, what is the approximate amount that your organization would send annually to the CalPERS trust fund to pre-fund other post-employment benefits?

Only 29 Respondents provided an answer to this question. Of these, 2 were zero. The remaining responses varied from as little as under \$1 thousand to almost \$100 million.

11 Cities (2 "Small", 9 "Large") responded with values ranging from \$1,000 to \$1,500,000

1 "Large" County responded with a value of \$10,000,000.

15 Other Public Agencies (9 "Small", 6 "Large") responded with values ranging from \$40,000 to \$98,000,000.